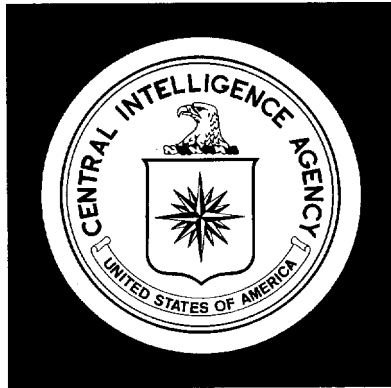


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CHINA: The rehabilitation of two former top-ranking party officials is a sign that moderates are in a strong position in the policy debates that apparently are preceding the Tenth Party Congress.

NCNA announced that Ulanfu and Tan Chen-lin, who were purged during the Cultural Revolution, attended a table-tennis tournament that began in Peking on 26 August. Ulanfu was an alternate member of the Politburo and the party boss of Inner Mongolia until 1966. Tan Chen-lin was a full member of the Politburo and the party's agricultural specialist. They are the two most important officials to be rehabilitated since the reappearance last April of the party's former secretary general, Teng Hsiao-ping.

The announcement did not indicate what positions the two men now hold, but presumably their party status will be clarified at the congress. Tan's return is particularly significant, in light of Peking's current concern with agricultural problems.

In recent weeks there have been signs in Chinese propaganda that debates over policy have intensified with the approach of the party congress. People's Daily, the party's official newspaper with a nationwide circulation, has seemed to question several pragmatic policies implemented in recent years. In July the newspaper criticized the stringent birth-control regulations introduced earlier this year. On 19 August the newspaper attacked policies such as having "experts" run factories and using material incentives, noting that these "mistakes" have already been criticized in the past. In this regard, a factory in central China has reportedly discontinued the practice of awarding bonuses. Earlier there had been hints in the propaganda of opposition to the rehabilitation of party cadre disgraced in the Cultural Revolution. This may have been in response to the reinstatement of former leaders such as Tan Chen-lin.

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These propaganda themes do not indicate that post - Cultural Revolution policies are now in retreat, but they do symbolize the kind of resistance that Chou En-lai and other moderate leaders have continually encountered from the more radical elements among the leadership. The recent rehabilitation of additional party leaders is an indication that the moderates are having some success in overcoming this resistance. [REDACTED]

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ROMANIA-CSCE: A strong Romanian delegation will present proposals for a non-use of force agreement and the establishment of a permanent European security organ at the next round of CSCE talks slated to start in Geneva on 18 September. The Soviets can be expected to oppose a number of Romanian ideas.

In setting forth his government's views to a group of NATO chiefs of mission in Bucharest, a senior Foreign Ministry official claimed that the Romanian position calls for both disarmament and disengagement; the latter includes an agreement on the non-use of nuclear weapons. Bucharest intends to push for an extension to the Balkans of disarmament measures that are adopted for Central Europe.

The Romanians want to include three elements in the non-use of force document: notification of maneuvers, notification of large military movements, and provisions for foreign observers at maneuvers. None of them is likely to win favor in Moscow, which wants to keep the military content of CSCE at a minimum.

Another Romanian official claimed that Romanian-Soviet differences extend into other aspects of European security talks. Moscow reportedly opposes Romanian phrasing on the inviolability of frontiers and insists that terminology should make clear "the unchangeability of frontiers." Bucharest is interested in avoiding permanent foreclosure of its claim to northern Bukovina and Bessarabia, now part of the USSR. The Soviets, however, are opposed to any precedent that might leave their borders with China or Eastern Europe open to challenge.

The Romanian proposal on a permanent CSCE organ appears designed to provide Bucharest with a forum for voicing its dissent from the Warsaw Pact. Publicly, however, Romania will probably argue that such a body is necessary to handle such matters as the dissemination of information on troop movements and maneuvers. [REDACTED]

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MALAYSIA-CHINA: Prime Minister Razak has confided to the US ambassador that talks at the UN on diplomatic recognition have "ground to a halt," and the establishment of relations will probably be delayed until early 1974. Malaysia had been aiming for an announcement of recognition on its independence day--31 August.

The talks, which opened in June, quickly stalled on the issue of the 200,000 stateless Chinese in Malaysia. The Malaysians have been unable to extract from Peking a statement of acceptance of Malaysian sovereignty over this group. Razak explains that Malaysian preoccupation with this topic stems from memories of the problems the British faced in 1948 when the Chinese Nationalist consulate aggressively acted as spokesman and protector of the same group of Chinese. Although the Malaysians have given an appearance of being adamant, they will--if they want relations--have to accept Peking's stand that the question of the stateless Chinese cannot be taken up until after the opening of relations.

Peking's position regarding the Communist insurgency in Malaysia does not appear to be a serious impediment to the establishment of relations. Although Kuala Lumpur continues to press for a public "hands off" statement, Razak admits that he realizes that Peking cannot go much further than it has in dissociating itself from the insurgency. [REDACTED]

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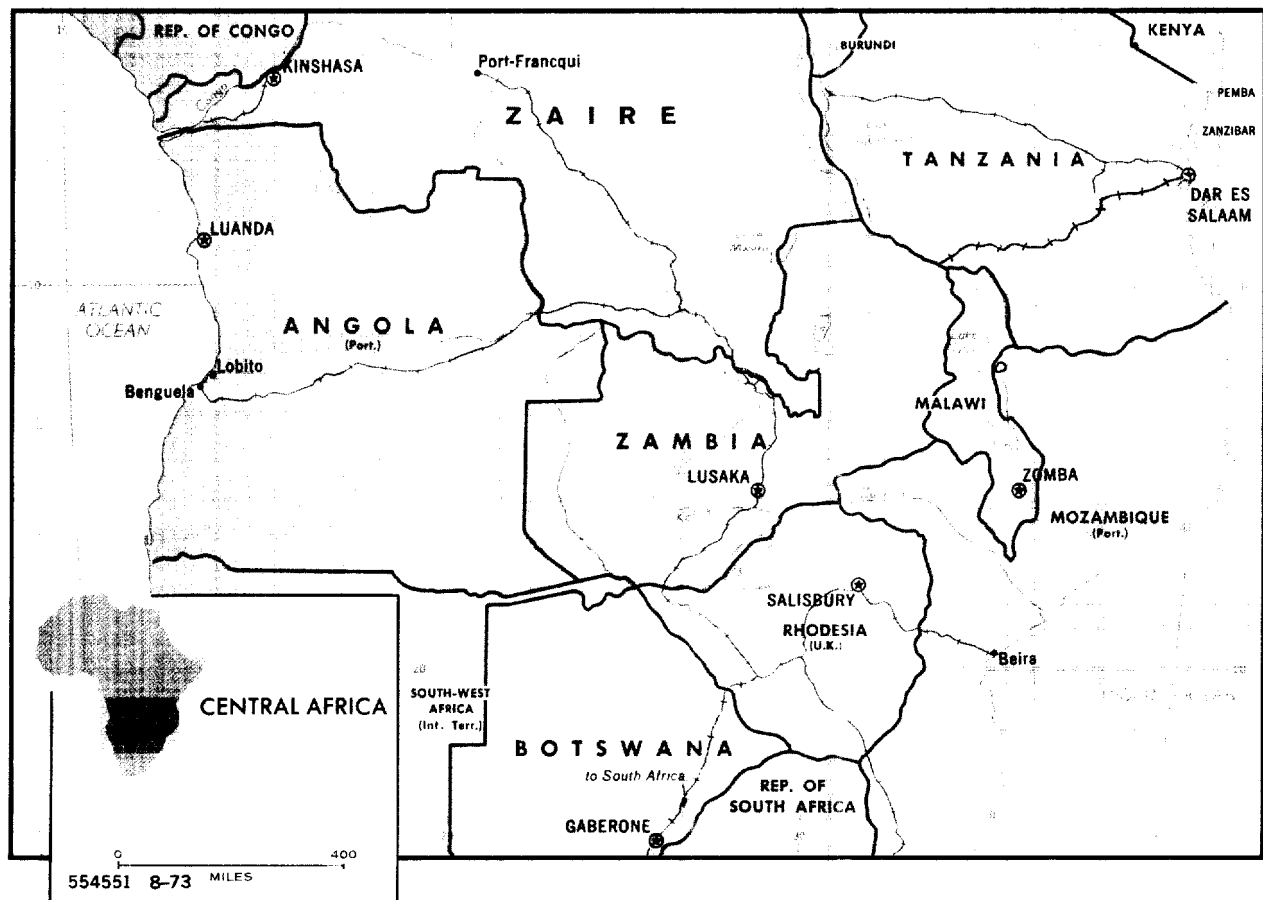
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SOUTH AFRICA - RHODESIA: A transfer of 800 South African police to Rhodesia in July substantially increases the forces that Pretoria has committed to Rhodesia's counterinsurgency efforts. [REDACTED] some 1,400 South African special paramilitary police are now serving in Rhodesia.

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[REDACTED]

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The transfer of the reinforcements apparently is intended to back up Rhodesia's counterinsurgency efforts while avoiding open military aid to the breakaway Smith regime that would intensify international pressures against South Africa as well as Rhodesia. Pretoria has long acknowledged that some 250 South African police have been stationed in Rhodesia since 1967 to prevent South African militants who go abroad for subversive training from infiltrating back home via Rhodesia.

A quiet build-up of South African police in Rhodesia could go far to offset the shortage of white reservists available for extended duty in the Rhodesian security forces. The presence of additional South African police probably has enabled the Rhodesians to search out insurgents across the border in Mozambique. There have been indications that Rhodesian units have been operating there regularly for the past few weeks, presumably with Portuguese acquiescence.

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CHILE: The Shifting Scene

Tensions are again at fever pitch, and President Allende again must handle a delicate situation. A concerted move by the armed forces to overthrow the government does not yet appear to be firmly organized. Instead, it would seem that the various military services will attempt to bring unified military pressure on the President to restore public order and moderate his policies.

General Prats' resignation as defense minister and army chief last week marks a major change in the situation in Chile. In the past, elements that favored action against the Allende administration had been restrained by Prats' support of the constitutional government--whatever its character--and by the deep divisions within and among the services. Now, more and more officers have concluded, almost against their will, that the Allende administration is bent on destroying the military institution and, indeed, constitutional government itself. Without Prats' restraining hand, they are trying to pull together to thwart Allende's manipulation and exploitation of military loyalty.

Concern over the growing boldness of paramilitary workers' groups has been a major factor in convincing the military officers that they must assert opposition to government policies. Many officers also were shocked by recent evidence that the far left had penetrated the most disciplined service, the navy. Further impelled by Allende's ouster of the dissident air force chief and by civilian opposition demonstrations last week

Some influential army officers are veering away from defense of Allende, a shift from the army's previous reluctance to back air force and navy hopes of exerting influence on the administration.

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The long tradition of military isolation from politics has not kept officers from adopting political views, but neither has it trained them in political maneuvering. Their unity and resolve will be severely tested by actions by Allende to bluff or confuse them.

The President's own preference would be to protect his flank by appearing to go along with the military demand for more power and by reaching a modus vivendi with the opposition Christian Democrats. Allende, however, is increasingly pressed by the demands of his own Socialist Party and other extremists--and now even by the usually moderate Communists--to adopt a hard line to advance the Chilean revolution and destroy its political opposition.

One government response to the developing military pressure is an implicit threat of reaction by leftist-led workers. The real size and the armed capability of these paramilitary groups is unknown even to their rival sponsors--Communists, Socialists, and members of the Revolutionary Leftist Movement. Many government leaders doubt that the workers could face down a military challenge.

On the other hand, the factories and other areas controlled by the paramilitary and workers' groups straddle vital sections of major roads in and out of Santiago. The Chilean Army is inexperienced and ill equipped for riot control, and half its enlisted manpower consists of short-term, largely untrained recruits. In addition, its relationship with the national police, the carabineros, has traditionally been one of rivalry rather than cooperation. The carabineros, a career force as large as the army, have extensive experience in civil disorders. Their cooperation would be essential for an effective military effort in any armed confrontation. Information is conflicting on the attitude of the carabineros toward the Allende government.

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The key to developments is Santiago, where army and carabinero units are now on alert and being reinforced from other provinces. Any confrontation that occurs is most likely to begin there. Moreover, it is likely to fluctuate and drag on. In that event, other cities, most notably the port of Valparaiso and the industrial center of Concepcion, would become more important. Leftist extremists are particularly powerful in Concepcion, while the military commanders in both areas dislike the government. Most Chileans are strongly for or strongly against this administration, and real violence in Santiago would be reflected throughout the country.

The principal actors, military and civilian, appear to be still counting on political maneuver--bluffs, threats, and propositions. To a degree rare in Latin America, the bulk of the Chilean population abhors violence, and few leaders feel confident that they have the backing to impose their will without touching off a civil war. Yet the prolonged tension has led to despair that any maneuvering can alleviate Chile's problems. Leftist and rightist extremists, meanwhile, are doing their best to provoke confrontation. [REDACTED]

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FOR THE RECORD\*

SOUTH VIETNAM: Unofficial returns indicate that the Thieu government scored its anticipated landslide victory in the Senate election, capturing all 31 seats at stake. President Thieu will now control more than two thirds of the votes in the 60-seat Senate. [REDACTED]

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CZECHOSLOVAKIA-USSR: Czechoslovak Premier Strougal arrived in Moscow yesterday for economic talks with Soviet Premier Kosygin. Strougal is the last East European government leader to have made this trip during the past two weeks. As was the case with his predecessors, the talks will almost certainly center on strengthening cooperation within CEMA. [REDACTED]

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*\*These items were prepared by CIA without consultation with the Departments of State and Defense.*

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